	1990	1991	1992	1993	1994	1995	Total
Adjusted Table 3 Data	$ (227)	$ 55	$ 29	$ 150	$ 55	$ 67	$ (6
Sharing Effect on Revenue #	$ (16)	$ (25)	$ (159)	$ (27)	$ (332)	$ (226)	$ (784)
Total	$ (243)	$ 30	$ (130)	$ 123	$ (277)	$ (282)	$ (789)
Achieved ROR	13.09%	13.15%	13.93%	13.16%	14.12%	12.85%	

Moreover, Pacific and GTEC maintain that a 2% X factor will continue to pose a tough challenge. This, notwithstanding the fact, that adoption of the LECs' modified price cap formula will mean for California ratepayers approximately a 1%[114] increase in their telephone rates compounded annually: totaling $55 million, $110 million, $165 million and $330 million, respectively, from 1996 to 1998. Pacific and GTEC contend that the LECs have not received the promised rewards of NRF. Yet, during the six years of the NRF, the companies have either met or exceeded the adopted reasonable rate of return. None of the LECs' experts assert that the companies would have fared better under rate-of-return regulation.[115]

During cross-examination[116], it was revealed that Dr. Christensen was unable to explain the methodology that was used to gather the data upon which his results depend and he was unable to explain how the errors seemingly corrected in his January 1995 update were discovered or corrected.[117] CCLTC notes that the magnitude of a number of the unexplained errors is

[114] Assuming a 1% inflation factor. Pacific Brief at 41, footnote 126.

[115] 2 RT 264 and Exhibit 35 at 5.

[116] 2 RT 200-239.

[117] Exhibit 8.

substantial.[118] Dr. Christensen also testified that he had no knowledge of how certain significant costs were calculated by the LECs. He was unaware of whether or not gross inconsistencies exist with the methodologies used to gather data for his study. GTEC's witness Dr. Duncan stated that if gross inconsistencies occurred in the calculation methods: "...okay, you're going to run into problems."[119]

Finally, Dr. Christensen admitted that he did not know precisely how an integral component of his TFP calculation, the "Telephone Plant Indexes" (TPIs)[120], were computed [121] and that he could not supply any workpapers behind the TPI figures that were provided to him by the LECs.[122] It may be that additional time and opportunity for discovery might have resolved these problems. We do not know. Nevertheless, we conclude that Dr. Christensen's study submitted in this proceeding is not a reasonable substitute for the BLS index, and we will not rely upon it in determining whether a reduction in the X factor is appropriate.

Dr. Selwyn's 5.7% productivity factor proposal also presents problems. His recommended productivity factor of 5.7% is comprised of three parts. A 2.6% amount to reflect TFP,

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[118] CCLTC Brief at 6-13.

[119] 5 RT 792.

[120] TPIs, developed by the individual Regional Bells and the other LECs, reflect changes in the cost of key capital input factors, like central office equipment, wire and cable, and transmission equipment (among others). Unlike standard, published indices like the GDPPI and the Consumer Price Index, the TPIs are not equalized price series published by a government agency or other independent source. Rather, they are prepared individually by each RBOC on a highly proprietary basis. CCLTC Brief at 10.

[121] 2 RT 197-198.

[122] Exhibit 8.

another 2.6% amount to reflect the input growth factor differential, and a 0.5% "stretch factor". The 2.6% TFP amount is based upon Dr. Christensen's earlier study. We have already stated our concerns related to Dr. Christensen's updated study. Our concerns are underscored with respect to relying upon Dr. Christensen's earlier study. In addition to the problems identified with Dr. Christensen's lack of knowledge about his second study and the changes between the two studies, there is a serious problem with suing knowingly obsolete data. Dr. Selwyn does not convince us that the earlier study is in any way superior to the updated study.

While the input price differential may have been adopted by the FCC in concept, the study performed by Dr. Selwyn does not appear to have been adopted by the FCC.[123] DRA suggests the use of an input growth factor, yet did not quantify its effect. Prior to concluding the several ongoing significant telecommunications proceedings and resolving a number of key issues, the Commission is not persuaded that a further increase now in the productivity factor would be reasonable. Thus, we do not adopt Dr. Selwyn's productivity factor proposal. However, we do not preclude further analysis of the concept of an input price differential the next time we examine the price cap formula.

We find the proposals to modify the productivity factor inadequate. Therefore, we hold that it is reasonable to continue to apply the current productivity factor of 5% adopted in D.94-06-011 until a final decision is issued in the next triennial review, or such other time as this Commission determines to reevaluate the incentive-based regulatory framework, the price cap formula or the productivity factor.

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[123] Pacific Brief at 44.

INTERIM ORDER

IT IS ORDERED that:

1. A productivity adjustment of 5.0% for 1996, 1997 and 1998 is adopted for use in the price cap index.

2. GTE California Incorporated shall use a 4.6% productivity factor for 1996 pursuant to Decision (D.)93-09-038 and D.94-06-011.

3. The 5.0% productivity adjustment shall be used until a final decision is issued in the next triennial review, or such other time as this Commission determines to reevaluate the incentive-based regulatory framework, the price cap formula or the productivity adjustment.

4. The Commission Advisory and Compliance Division (CACD) is to issue its 1996 Price Cap Resolution for Pacific Bell using a 5.0% productivity factor. On December 29, 1995, Pacific bell shall file its Advice Letter supplement to Advice Letter No. 17762 using a 5.0% productivity factor.

5. CACD is to issue its 1996 Price Cap Resolution for GTEC using a 4.6% productivity factor. On December 29, 1995, GTEC shall file its Advice Letter supplement to Advice Letter No. 7857 using a 4.6% productivity factor.

This order is effective today.

Dated ____________________, at San Francisco, California.